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C O N F I D E N T I A L ANKARA 000753

SIPDIS

STATE FOR E, EB/CBED, EB/ESC, EUR/SE
STATE PASS NSC FOR QUANRUD AND BRYZA
USDOC FOR 4212/ITA/MAC/OEURA/CPD/DDEFALCO
USDOE FOR PUMPHREY/ROSSI

E.O. 12958: DECL: 08/08/2012
TAGS: [ENRG](#) [ECON](#) [EPET](#) [AJ](#) [GG](#) [KZ](#) [TU](#)
SUBJECT: BTC UPDATE FROM TURKEY

REF: ANKARA 528

Classified by EconCouns Scot Marciel, Reason 1.5 (b,d)

[11.](#) (C) Summary: BTC construction in Turkey is on schedule (first pipe is scheduled to arrive at Iskenderun port on February 7) and on budget; however, there is some concern that the change in government has slowed down the decision-making process on operational issues. We believe that occasional delays are to be expected in a project of this size; however, we will meet with GOT officials in the next several days to reiterate the importance of operational continuity for BTC. End summary.

[12.](#) (C) Although BTC construction in Turkey is on schedule and on budget, BOTAS General Manager Bildaci and Turkey-based BTC Co executives are concerned that the change in government has slowed down the decision-making process on operational issues. Bildaci and BTC Co officials complained to econoff that BOTAS employees and board members are "paralyzed" as they wait for the outcome of rumored personnel changes and new investigations into past contract awards. For example, Bildaci claimed that the board has delayed voting on hiring additional personnel to handle the logistics of land acquisition, and BOTAS employees are neglecting important BTC-related issues as they investigate claims by the new government that BTC Co salaries are too high.

[13.](#) (C) AK Party officials -- from Tayyip Erdogan to Energy Minister Guler -- have emphasized their support for the BTC project (reftel). At the same time, however, the new government has reportedly taken steps that have caused some jitters at the Ministry of Energy (MENR) and BOTAS. For example, the government reportedly wants to investigate all past tenders and contract awards made by BOTAS. A recent television news report stated that Energy Minister Guler had sent to the President's office for approval a decree dismissing the top 50 energy bureaucrats, including the Energy Undersecretary and Deputy Undersecretaries, as well as the Director General and Deputy Director General of BOTAS, TPAO, and other state-owned energy companies. (Note: Neither our MFA or MENR contacts can confirm the existence of this decree or who is on it.)

[14.](#) (C) On the positive side, the first pipe for the Turkish segment of BTC is scheduled to arrive at Iskenderun port on February 7. For now, BOTAS is planning to receive all pipe at Iskenderun; however, it has designated other "contingency" ports in the event that regional developments close the Iskenderun option.

[15.](#) (C) Local BP executives told econoff that, as of February 1, BP will increase the risk level for Turkey from "medium" to "high." The next risk level of "very high" could result in the evacuation of BP expats from Turkey.

[16.](#) (C) Comment: As noted, BTC construction in Turkey is on track; we believe that current operational delays --although not to be ignored -- are one of the to-be-expected hiccups in a project of this size. We will meet with MFA Deputy U/S Kilic and Ministry of Energy U/S Yigitguden in the next several days to reiterate the importance of operational continuity for BTC. End comment.
PEARSON